



**Moqhaka Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2019**

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Jurisdiction Number</b>	Municipal demarcation code FS201
<b>Legal form of entity</b>	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.
<b>Nature of business and principal activities</b>	Moqhaka is a local municipality performing functions as set out in the constitution (Act 105 of 1996)
<b>Mayoral committee</b>	
Executive Mayor	Koloi, MA
Speaker	Chakane, MS
Council Whip	Phooko, P
Members of the Mayoral Committee	Green, MM Magadlela, ZS Kokami, KL Manefeldt, ZJC Mokoena, S Moletsane, ER Mpondo, VL Rooskrans, B Tladi, SB
<b>Grading of local authority</b>	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
<b>Accounting Officer</b>	Mqwathi, MS
<b>Chief Finance Officer (CFO)</b>	Marumo, T
<b>Registered office</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Business address</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Postal address</b>	PO Box 302 Kroonstad 9500
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Du Randt & Louw Majavu Incorporated Lebea & Associates Attorneys
<b>Preparer</b>	The Chief Financial Officer

# Moqhaka Local Municipality

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## General Information

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### Members of council

Baba, JM  
Boeije, HME  
Bolofo, LD  
Dalton, CM  
Geldenhuis, J  
Hattingh, JM  
Khasudi, D  
Khunyeli, JM  
Leboko, OA  
Lithupa, MJ  
Makae, HG  
Makhanda, ML  
Mahlatsi, MS  
Mahlatsi, JR  
Malejoane, AM  
Marako, TJ  
Mareka, J  
Mntuze, ME  
Mofokeng, TA  
Mokodutlo, NP  
Mokotedi, MV  
Morabe, TD  
Nhlapo, M  
Nzunga, DN  
Pietersen, ML  
Pittaway, SH  
Ramathibe, BS  
Ramathibe, ME  
Serapela, DJ  
Thajane, MI  
Van Schalkwyk, L  
Viljoen, AH  
Yho-Yho, M

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COID	Compensation for Occupational Injuries and Diseases
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
EPWP	Extended Public Works Programme
GRAP	Generally Recognised Accounting Practice
MMC	Member of Mayoral Committee
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Moqhaka Local Municipality

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## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 01 March 2020 and were signed on its behalf by:

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**Mqwathi, MS**  
**Designation**

**Kroonstad**

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2019.

### 1. Review of activities

#### Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Moqhaka Municipal Area.

Net deficit of the municipality was R 75,937,992 (2018: deficit R 101,322,231).

### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The analysis of the going concern is clearly depicted in note 52.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that could have an impact on the annual financial statements, except for matters as outlined in note 53.

### 4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

### 5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

### 6. Non-current assets

No major changes were experienced within the non-current assets.

### 7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mqwathi, MS	South African

### 8. Auditors

Auditor General of South Africa will continue in office for the next financial period.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	3	8,579,599	6,161,181
Inventories	4	12,320,476	13,389,213
Investments	5	6,688,057	124,770
Receivables from exchange transactions	6	129,346,907	118,798,064
Receivables from non-exchange transactions	7	60,134,135	36,210,842
		<b>217,069,174</b>	<b>174,684,070</b>
Non-Current Assets			
Heritage assets	8	7,761,921	1,527,922
Intangible assets	9	3,083,047	3,426,408
Investments	5	218,288	205,716
Investment property	10	172,185,882	174,176,702
Long term debtors	6	5,174,005	5,031,582
Property, plant and equipment	11	2,104,420,644	2,149,068,393
		<b>2,292,843,787</b>	<b>2,333,436,723</b>
<b>Total Assets</b>		<b>2,509,912,961</b>	<b>2,508,120,793</b>
<b>Liabilities</b>			
Current Liabilities			
Consumer deposits	12	13,512,234	11,880,924
Finance lease obligation	13	1,058,942	9,696
Other financial liabilities	14	1,597,911	1,468,716
Payables from exchange transactions	15	411,673,997	350,355,062
Provisions	16	6,684,082	5,975,347
Unspent conditional grants and receipts	17	2,990,237	1,591,509
VAT payable	18	5,812,884	6,346,598
		<b>443,330,287</b>	<b>377,627,852</b>
Non-Current Liabilities			
Employee benefit obligation	19	36,504,000	36,390,000
Finance lease obligation	13	1,228,788	-
Other financial liabilities	14	23,248,423	21,193,720
Provisions	16	64,646,310	56,016,101
		<b>125,627,521</b>	<b>113,599,821</b>
<b>Total Liabilities</b>		<b>568,957,808</b>	<b>491,227,673</b>
<b>Net Assets</b>		<b>1,940,955,153</b>	<b>2,016,893,120</b>
Accumulated surplus		1,940,955,153	2,016,893,120

\* See Note 49



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Dividends received	28	13,991	12,312
Discount received	27	8,999	8,759
Fair value adjustments	43	132,752	15,885,822
Fees earned	27	1,270,859	1,174,867
Gains on employee benefit obligation	44	1,375,000	964,000
Interest received	28	26,763,213	23,564,549
Other income	29	17,612,532	13,118,524
Rental of facilities and equipment	26	6,978,972	4,389,931
Service charges	24	415,017,563	391,833,339
<b>Total revenue from exchange transactions</b>		<b>469,173,881</b>	<b>450,952,103</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Public contributions and donations	25	7,738,310	19,104,681
Property rates	23	64,054,863	58,953,722
<b>Transfer revenue</b>			
Fines	30	3,133,871	4,651,911
Government grants & subsidies	22	260,176,099	241,846,000
<b>Total revenue from non-exchange transactions</b>		<b>335,103,143</b>	<b>324,556,314</b>
<b>Total revenue</b>	21	<b>804,277,024</b>	<b>775,508,417</b>
<b>Expenditure</b>			
Employee related costs	31	265,165,160	244,795,860
Remuneration of councillors	32	19,672,790	19,257,695
Debt Impairment	33	85,798,636	90,320,593
Depreciation and amortisation	34	114,619,262	111,787,200
Impairment loss on assets	35	687,410	1,358,481
Finance costs	36	14,949,417	25,492,492
Contracted services	37	43,256,887	41,603,016
Repairs and maintenance	38	38,407,075	43,485,006
Grants and subsidies paid	39	(1,714,118)	3,423,388
Bulk purchases	40	236,600,151	221,904,403
Loss on disposal of assets	41	7,857,690	8,401,089
General Expenses	42	54,914,656	63,776,830
<b>Total expenditure</b>		<b>880,215,016</b>	<b>875,606,053</b>
<b>Surplus / (deficit) for the year</b>		<b>(75,937,992)</b>	<b>(100,097,636)</b>

The accounting policies on pages 14 to 38 and the notes on pages 41 to 85 form an integral part of the annual financial statements.

\* See Note 49

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2017</b>	<b>2,116,990,756</b>	<b>2,116,990,756</b>
Changes in net assets		
Surplus / (Deficit) for the year	(100,097,636)	(100,097,636)
Total changes	(100,097,636)	(100,097,636)
Opening balance as previously reported	2,013,363,785	2,013,363,785
Adjustments		
Prior year adjustments (Refer Note 49)	3,529,360	3,529,360
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>2,016,893,145</b>	<b>2,016,893,145</b>
Changes in net assets		
Surplus / (Deficit) for the year	(75,937,992)	(75,937,992)
Total changes	(75,937,992)	(75,937,992)
<b>Balance at 30 June 2019</b>	<b>1,940,955,153</b>	<b>1,940,955,153</b>

Draft

\* See Note 49

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		261,574,827	369,846,947
Grants		384,632,418	243,327,181
Interest income		26,763,213	23,564,549
Dividends received		13,991	12,312
Other receipts		12,278,109	32,352,170
		<u>685,262,558</u>	<u>669,103,159</u>
<b>Payments</b>			
Employee costs		(281,579,949)	(264,053,555)
Suppliers		(301,917,167)	(292,708,291)
Finance costs		(14,949,417)	(25,492,492)
		<u>(598,446,533)</u>	<u>(582,254,338)</u>
<b>Net cash flows from operating activities</b>	46	<b><u>86,816,025</u></b>	<b><u>86,848,821</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(76,062,253)	(86,288,332)
Additions of investments	10	(6,563,287)	1,002,501
Purchase of intangible assets	9	-	(175,200)
Purchases of heritage assets	8	(6,233,999)	-
<b>Net cash flows from investing activities</b>		<b><u>(88,859,539)</u></b>	<b><u>(85,461,031)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		2,183,898	-
Increase (Decrease) in Long term loans		-	296,601
Increase (Decrease) in finance lease liabilities		2,278,034	(668,946)
<b>Net cash flows from financing activities</b>		<b><u>4,461,932</u></b>	<b><u>(372,345)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>2,418,418</u></b>	<b><u>1,015,445</u></b>
Cash and cash equivalents at the beginning of the year		6,161,181	5,145,736
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>8,579,599</u></b>	<b><u>6,161,181</u></b>

The indirect method is used to present the cash flow statement.

\* See Note 49

# Moqhaka Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
Transfers recognised - capital	65,840,000	10,000,000	<b>75,840,000</b>	73,609,000	<b>(2,231,000)</b>	22
Contributions recognised - capital & contributed assets	(76,153,232)	(12,914,383)	<b>(89,067,615)</b>	-	<b>89,067,615</b>	22
<b>Surplus / (Deficit) after capital transfers &amp; contributions</b>	<b>(10,313,232)</b>	<b>(2,914,383)</b>	<b>(13,227,615)</b>	<b>73,609,000</b>	<b>86,836,615</b>	
<b>Surplus / (Deficit) for the year</b>	<b>(10,313,232)</b>	<b>(2,914,383)</b>	<b>(13,227,615)</b>	<b>73,609,000</b>	<b>86,836,615</b>	

The accounting policies on pages 14 to 38 and the notes on pages 41 to 85 form an integral part of the annual financial statements.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement (Unaudited)

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2019</b>											
<b>Financial Performance</b>											
Property rates	70,608,063	(6,756,776)	63,851,287	-		63,851,287	64,054,863		203,576	100 %	91 %
Service charges	499,512,872	682,170	500,195,042	-		500,195,042	415,017,563		(85,177,479)	83 %	83 %
Investment revenue	21,184,551	1,912,489	23,097,040	-		23,097,040	23,564,549		467,509	102 %	111 %
Transfers recognised - operational	188,893,240	1,000,000	189,893,240	-		189,893,240	188,476,099		(1,417,141)	99 %	100 %
Other own revenue	26,980,628	1,364,119	28,344,747	-		28,344,747	59,310,867		30,966,120	209 %	220 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>807,179,354</b>	<b>(1,797,998)</b>	<b>805,381,356</b>	<b>-</b>		<b>805,381,356</b>	<b>750,423,941</b>		<b>(54,957,415)</b>	<b>93 %</b>	<b>93 %</b>
Employee costs	(266,951,592)	8,394,290	(258,557,302)	-	-	(258,557,302)	(244,795,920)	-	13,761,382	95 %	92 %
Remuneration of councillors	(18,192,324)	(185,841)	(18,378,165)	-	-	(18,378,165)	(19,672,790)	-	(1,294,625)	107 %	108 %
Debt impairment	(7,682,804)	-	(7,682,804)			(7,682,804)	(85,798,636)	-	(78,115,832)	1,117 %	1,117 %
Depreciation and asset impairment	(32,881,142)	(26,701)	(32,907,843)			(32,907,843)	(115,306,672)	-	(82,398,829)	350 %	351 %
Finance charges	(3,140,266)	-	(3,140,266)	-	-	(3,140,266)	(14,949,417)	-	(11,809,151)	476 %	476 %
Materials and bulk purchases	(249,351,436)	(23,834)	(249,375,270)	-	-	(249,375,270)	(236,600,151)	-	12,775,119	95 %	95 %
Transfers and grants	(2,215,000)	(1,000,000)	(3,215,000)	-	-	(3,215,000)	1,714,118	-	4,929,118	(53)%	(77)%
Other expenditure	(206,591,389)	(1,618,177)	(208,209,566)	-	-	(208,209,566)	(158,872,738)	-	49,336,828	76 %	77 %
<b>Total expenditure</b>	<b>(787,005,953)</b>	<b>5,539,737</b>	<b>(781,466,216)</b>	<b>-</b>	<b>-</b>	<b>(781,466,216)</b>	<b>(874,282,206)</b>	<b>-</b>	<b>(92,815,990)</b>	<b>112 %</b>	<b>111 %</b>
<b>Surplus/(Deficit)</b>	<b>20,173,401</b>	<b>3,741,739</b>	<b>23,915,140</b>	<b>-</b>		<b>23,915,140</b>	<b>(123,858,265)</b>		<b>(147,773,405)</b>	<b>(518)%</b>	<b>(614)%</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	49,410,000	22,290,000	71,700,000	-		71,700,000	71,700,000		-	100 %	145 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>69,583,401</b>	<b>26,031,739</b>	<b>95,615,140</b>	<b>-</b>		<b>95,615,140</b>	<b>(52,158,265)</b>		<b>(147,773,405)</b>	<b>(55)%</b>	<b>(75)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>69,583,401</b>	<b>26,031,739</b>	<b>95,615,140</b>	<b>-</b>		<b>95,615,140</b>	<b>(52,158,265)</b>		<b>(147,773,405)</b>	<b>(55)%</b>	<b>(75)%</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use and tangible assets are inherently uncertain and could materially change over time.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

#### Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment as well as intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the conditional and use of the individual asset. This estimate is based on industry norm.

Management will change the depreciation charge where useful lives are more / less than previously estimated.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.



## Accounting Policies

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### 1.3 Investment property (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

#### Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

- When the municipality leases out the property and receives rental income.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Determining any cash generations independent from other assets.
- Purpose of holding the asset, whether generally held to earn rental income or for capital appreciation.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	7 - 80 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	2 - 10 years
Motor vehicles	Straight line	2- 20 years
Office equipment	Straight line	3 - 7 years
IT equipment	Straight line	3 - 7 years
Infrastructure	Straight line	7 - 80 years
Community	Straight line	7 - 80 years
Quarries	Straight line	15 - 20 years
Landfill sites	Straight line	15 - 80 years
Finance leases - 3G cards	Straight line	2 years
Finance leases - Cellphones	Straight line	2 years
Solid waste	Straight line	15 - 80 years
Waste water network	Straight line	7 - 80 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the property, plant and equipment.

#### Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

## Accounting Policies

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### 1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Heritage assets (continued)

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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## Accounting Policies

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### 1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 5 years

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

## Accounting Policies

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### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## Accounting Policies

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### 1.8 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.



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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position into the following categories:

Class	Category
Operating lease assets	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Long term debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

# Moqhaka Local Municipality

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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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### 1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

## Accounting Policies

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### 1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.9 Tax

#### Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% (from 01 April 2018) and 14% (2017) in terms of section 7(1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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## Accounting Policies

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### 1.10 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

## Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Impairment losses are recognised immediately in surplus or deficit.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Impairment losses are recognised immediately in surplus or deficit.

### 1.14 Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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### 1.15 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs: Recognise past service costs as an expense in the reporting period in which the plan is amended.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### Post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charge to income as incurred throughout the year.

### 1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.



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### 1.16 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense rather than as an adjustment of the amount of revenue originally recognised.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Accounting Policies

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### 1.17 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when leviable in terms of law.

### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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### 1.18 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions (continued)

#### Assessment Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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### 1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information, in accordance with GRAP 24, has been provided in these financial statements.

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 49.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly.

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Irregular expenditure

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170; or
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act and which has not been condoned in terms of that Act; or
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

## Accounting Policies

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### 1.24 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### 1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

#### Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

### 1.28 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.29 Contractual Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.29 Contractual Commitments (continued)

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts which are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality. Expenditure on research is recognised as an expense when it is incurred.

### 1.30 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### 1.31 GRAP 24 Presentation of Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.32 Changes in accounting policies, estimates and errors

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Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 2. New standards and interpretations

Draft

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	21,394	19,394
Bank balances	8,558,205	6,141,787
	<b>8,579,599</b>	<b>6,161,181</b>

The fair value of the cash and cash equivalents approximate their carrying value.

### Cash and cash equivalents pledged as collateral

Guarantee issued to the department of mineral resources	50,000	50,000
This cession is linked to ABSA notice deposit account number: 630 1219190.		

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA BANK - Cheque Account - 405-327-4876	9,868,863	4,735,945	4,703,809	8,522,640	6,126,991	5,104,114
Cash on hand	-	-	-	21,394	19,394	21,480
Accrued interest	35,565	14,796	20,142	35,565	14,796	20,142
<b>Total</b>	<b>9,904,428</b>	<b>4,750,741</b>	<b>4,723,951</b>	<b>8,579,599</b>	<b>6,161,181</b>	<b>5,145,736</b>

### 4. Inventories

Water	324,257	324,257
Consumable stores	11,996,219	13,064,956
	<b>12,320,476</b>	<b>13,389,213</b>

Consumable Inventory held by the municipality decreased by R 1,068,737 in the current year (2018 decrease: R 453,733).

Water Inventory held by the municipality increased by R 6,968 in the current year (2018: R6,968).

During the year inventory that were expensed through the Statement of Financial Performance amounted to R 5,662,371b(2018: R 11,117,693).

No Inventories have been pledged as collateral for liabilities of the municipallity.

### 5. Investments

#### Designated at amortised cost

ABSA deposits	6,688,057	124,770
---------------	-----------	---------

#### At fair value

Senwes	129,451	124,131
The fair value is based on quoted price from active markets for identical assets and is therefore a level 1.		
Senwesbel	88,837	81,585
The fair value is based on quoted price from active markets for identical assets and is therefore a level 1.		
	<b>218,288</b>	<b>205,716</b>
<b>Total other financial assets</b>	<b>6,906,345</b>	<b>330,486</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>5. Investments (continued)</b>		
<b>Non-current assets</b>		
Designated at fair value	218,288	205,716
<b>Current assets</b>		
Short term deposits	6,688,057	124,770
<b>Financial assets at fair value</b>		
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
<b>6. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	51,220,941	44,129,238
Water	365,749,600	301,572,552
Waste Water	100,294,585	83,747,588
Waste	70,675,932	57,978,306
Other Service (Rentals, Fire and advertising services.)	61,413,743	49,717,299
	<b>649,354,801</b>	<b>537,144,983</b>
<b>Less: Allowance for impairment</b>		
Electricity	(17,989,948)	(15,131,773)
Water	(320,366,602)	(255,972,947)
Waste Water	(76,665,932)	(60,813,166)
Waste	(55,124,489)	(42,567,103)
Other services*	(49,860,923)	(43,861,930)
	<b>(520,007,894)</b>	<b>(418,346,919)</b>
<b>Net balance</b>		
Electricity	33,230,993	28,997,465
Water	45,382,998	45,599,605
Waste Water	23,628,653	22,934,422
Waste	15,551,443	15,411,203
Other services	11,552,820	5,855,369
	<b>129,346,907</b>	<b>118,798,064</b>
<b>Electricity</b>		
Current (0 -30 days)	8,741,801	8,651,473
31 - 60 days	1,965,390	2,163,857
61 - 90 days	1,042,725	1,150,334
91 - 120 days	21,481,077	17,031,801
	<b>33,230,993</b>	<b>28,997,465</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	1,390,730	1,379,152
31 - 60 days	1,027,388	909,175
61 - 90 days	867,169	775,690
91 - 120 days	42,097,711	42,535,588
	<b>45,382,998</b>	<b>45,599,605</b>
<b>Sewerage</b>		
Current (0 -30 days)	893,025	892,924
31 - 60 days	612,921	600,457
61 - 90 days	564,433	549,466
91 - 120 days	21,558,274	20,891,575
	<b>23,628,653</b>	<b>22,934,422</b>
<b>Refuse</b>		
Current (0 -30 days)	579,762	612,967
31 - 60 days	394,461	394,914
61 - 90 days	362,231	351,175
91 - 120 days	14,214,989	14,052,147
	<b>15,551,443</b>	<b>15,411,203</b>
<b>Other service</b>		
Current (0 -30 days)	697,355	151,524
31 - 60 days	825,158	104,359
61 - 90 days	254,948	103,251
91 - 120 days	9,775,359	5,496,235
	<b>11,552,820</b>	<b>5,855,369</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	15,989,339	12,451,221
31 - 60 days	14,836,063	8,981,148
61 - 90 days	11,177,488	8,000,977
91 - 120 days	554,813,027	455,172,753
	596,815,917	484,606,099
Less: Allowance for impairment	(513,416,584)	(413,650,371)
	<b>83,399,333</b>	<b>70,955,728</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	10,249,605	9,787,728
31 - 60 days	1,045,667	1,435,323
61 - 90 days	657,342	973,333
91 - 120 days	15,844,799	15,601,029
	27,797,413	27,797,413
Less: Allowance for impairment	(6,591,310)	(4,696,548)
	<b>21,206,103</b>	<b>23,100,865</b>
<b>National and provincial government</b>		
Current (0 -30 days)	3,601,072	4,764,179
31 - 60 days	2,501,070	3,030,178
61 - 90 days	1,568,927	1,929,828
91 - 120 days	17,070,402	15,017,286
Less: Allowance for impairment	-	-
	<b>24,741,471</b>	<b>24,741,471</b>
<b>Total</b>		
Current (0 -30 days)	29,840,016	27,003,128
31 - 60 days	18,382,800	13,446,649
61 - 90 days	13,403,757	10,904,138
91 - 120 days	587,728,228	485,791,068
	649,354,801	537,144,983
Less: Allowance for impairment	(520,007,894)	(418,346,919)
	<b>129,346,907</b>	<b>118,798,064</b>
Less: Allowance for impairment	(520,007,894)	(418,346,919)
<b>Long term debtors</b>		
> 365 days	5,174,005	5,031,582
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(418,346,919)	(334,421,823)
Contributions to allowance	(102,401,302)	(83,925,096)
Debt impairment written off against allowance	740,327	-
	<b>(520,007,894)</b>	<b>(418,346,919)</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 6. Receivables from exchange transactions (continued)

#### Long term debtors

Long term debtors included in the above receivables from exchange transactions, is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year.

No receivables from exchange transaction have been pledged as collateral for liabilities of the municipality.

#### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Draft

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>7. Receivables from non-exchange transactions</b>		
Fines	739,407	1,121,055
Sundry receivables	8,183,821	9,607,077
Consumer debtors - Rates	51,210,907	25,482,710
	<b>60,134,135</b>	<b>36,210,842</b>
Non-current assets	-	-
Current assets	60,134,135	36,210,842
	<b>60,134,135</b>	<b>36,210,842</b>
<b>Assessment rates</b>		
Gross balance	51,210,907	44,135,269
Less: Allowance for impairment	-	(18,652,559)
	<b>51,210,907</b>	<b>25,482,710</b>
<b>Total</b>		
Current (0-30 days)	3,383,176	3,062,666
31 - 60 days	1,511,956	1,362,004
61 - 90 days	1,197,914	1,068,148
> 90 days	45,117,861	38,642,451
Less: Impairment	-	(18,652,559)
	<b>51,210,907</b>	<b>25,482,710</b>
<b>Residential</b>		
Current (0-30 days)	1,983,177	1,740,401
31 - 60 days	862,166	840,490
61 - 90 days	724,155	658,413
> 90 days	32,830,212	27,623,594
Less: Impairment	-	(7,937,815)
	<b>36,399,710</b>	<b>22,925,083</b>
<b>Industrial / commercial</b>		
Current (0-30 days)	1,405,496	1,269,206
31 - 60 days	650,314	510,608
61 - 90 days	472,256	398,829
> 90 days	12,164,548	10,916,722
Less: Impairment	-	(10,714,744)
	<b>14,692,614</b>	<b>2,380,621</b>
<b>National and provincial government</b>		
Current (0-30 days)	4,532	53,059
31 - 60 days	4,532	10,906
61 - 90 days	4,532	10,906
> 90 days	104,987	102,135
	-	-
	<b>118,583</b>	<b>177,006</b>
<b>Reconciliation of allowance for impairment - Assessment Rates</b>		
Balance at beginning of the year	(18,652,559)	(15,875,630)
Contributions to allowance	-	(2,776,929)
Reversal of allowance of impairment	18,652,559	-
	-	<b>(18,652,559)</b>



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>7. Receivables from non-exchange transactions (continued)</b>		
<b>Fines</b>		
Gross balance	2,455,071	4,417,083
Less: Allowance for impairment	(1,715,664)	(3,296,028)
	<b>739,407</b>	<b>1,121,055</b>
<b>Reconciliation of allowance for impairment - Fines</b>		
Balance at beginning of the year	(3,296,028)	(6,853,353)
Contributions to allowance	(2,049,894)	(3,296,028)
Reversal of impairment	3,630,258	6,853,353
	<b>(1,715,664)</b>	<b>(3,296,028)</b>

The calculation in respect of the impairment fines receivable (receivable from non exchange transactions) is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 20% (2018: 25%).

The calculation for initial recognition and measurement of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 48% (2018: 54%).

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# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	7,761,921	-	7,761,921	1,527,922	-	1,527,922

#### Reconciliation of heritage assets 2019

	Opening balance	Transfers received	Total
Heritage assets	1,527,922	6,233,999	7,761,921

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Heritage assets	1,527,922	1,527,922

#### Heritage assets

The municipality's Heritage Assets comprise of significant historical assets within the Moqhaka Municipality.

These are made up of the:

1. Anglo-Boer War Memorial Burial Site,
2. Sports Monument,
3. Mayoral Chains.
4. ZR Mahabane House

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 9. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,404,641	(2,321,594)	3,083,047	5,404,641	(1,978,233)	3,426,408

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	3,426,408	(343,361)	3,083,047

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	3,569,014	175,200	(317,806)	3,426,408

#### Other information

There were no intangible assets that were assessed as having an indefinite useful live.

There are no intangible assets who's title is restricted or pledge as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

### 10. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	172,185,882	-	172,185,882	174,176,702	-	174,176,702

#### Reconciliation of investment property - 2019

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	174,176,702	(2,111,000)	120,180	172,185,882

#### Reconciliation of investment property - 2018

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	159,711,893	(1,443,400)	15,908,209	174,176,702

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 10. Investment property (continued)

#### Pledged as security

There are currently no restrictions on Investment Property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation for the acquisition of Investment Property.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

The fair value of the investment property was provided by Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of section 22 of (Act 47) of 2000 Property Valuers Profession Bill.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	6,978,972	4,389,931
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# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	55,992,166	-	55,992,166	55,992,166	-	55,992,166
Buildings	76,702,470	(28,364,043)	48,338,427	76,702,470	(26,612,183)	50,090,287
Plant and machinery	3,720,307	(644,587)	3,075,720	3,298,528	(479,723)	2,818,805
Furniture and office equipment	3,638,232	(555,395)	3,082,837	3,864,961	(429,023)	3,435,938
Motor vehicles	53,516,187	(31,827,873)	21,688,314	50,052,697	(31,263,699)	18,788,998
IT equipment	5,142,495	(956,140)	4,186,355	5,131,839	(326,909)	4,804,930
Infrastructure	4,056,648,184	(2,234,221,020)	1,822,427,164	4,000,619,584	(2,142,358,902)	1,858,260,682
Community	191,651,021	(97,600,117)	94,050,904	191,651,022	(91,486,880)	100,164,142
Capital work in progress	49,283,222	-	49,283,222	54,667,163	-	54,667,163
Finance leased assets	3,223,497	(927,962)	2,295,535	1,942,770	(1,897,488)	45,282
<b>Total</b>	<b>4,499,517,781</b>	<b>(2,395,097,137)</b>	<b>2,104,420,644</b>	<b>4,443,923,200</b>	<b>(2,294,854,807)</b>	<b>2,149,068,393</b>

# Moghaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	55,992,166	-	-	-	-	-	55,992,166
Buildings	50,090,287	-	-	-	(1,751,860)	-	48,338,427
Plant and machinery	2,818,805	931,665	(15,868)	-	(656,666)	(2,216)	3,075,720
Furniture and office equipment	3,435,938	202,294	-	-	(545,639)	(9,756)	3,082,837
Motor vehicles	18,788,998	4,209,467	(138,760)	2,156,078	(3,237,194)	(90,275)	21,688,314
IT equipment	4,804,930	353,590	(3,681)	-	(966,958)	(1,526)	4,186,355
Infrastructure	1,858,260,682	122,427	(5,588,382)	70,297,773	(100,665,336)	-	1,822,427,164
Community	100,164,142	-	-	-	(5,529,601)	(583,637)	94,050,904
Capital work in progress	54,667,163	67,069,910	-	(72,453,851)	-	-	49,283,222
Finance leased assets	45,282	3,172,900	-	-	(922,647)	-	2,295,535
	<b>2,149,068,393</b>	<b>76,062,253</b>	<b>(5,746,691)</b>	<b>-</b>	<b>(114,275,901)</b>	<b>(687,410)</b>	<b>2,104,420,644</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	55,992,166	-	-	-	-	-	55,992,166
Buildings	51,857,767	-	-	-	(1,593,391)	(174,089)	50,090,287
Plant and machinery	3,031,905	663,807	(92,786)	-	(784,121)	-	2,818,805
Furniture and office equipment	3,737,126	392,580	(54,540)	-	(635,026)	(4,202)	3,435,938
Motor vehicles	24,524,736	867,994	(2,021,951)	-	(4,151,354)	(430,427)	18,788,998
IT equipment	5,157,349	1,107,019	(179,704)	-	(1,279,734)	-	4,804,930
Infrastructure	1,895,267,192	19,063,295	(4,340,908)	45,748,757	(97,220,184)	(257,470)	1,858,260,682
Community	90,857,615	262,710	(267,819)	14,956,346	(5,152,414)	(492,296)	100,164,142
Capital work in progress	51,441,339	63,930,927	-	(60,705,103)	-	-	54,667,163
Finance leased assets	698,452	-	-	-	(653,170)	-	45,282
	<b>2,182,565,647</b>	<b>86,288,332</b>	<b>(6,957,708)</b>	<b>-</b>	<b>(111,469,394)</b>	<b>(1,358,484)</b>	<b>2,149,068,393</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 11. Property, plant and equipment (continued)

#### Pledged as security

There are currently no restrictions on property, plant and equipment as they have not being pledged as securities for liabilities.

#### Capital expenditure

**The municipality currently has the following capital commitments with regards to capital expenditure on infrastructure assets**

Approved and contracted for	12,630,472	18,033,673
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**The following amounts relates to leased assets held by the entity included in property, plant and equipment**

Office Equipment	2,287,730	9,696
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#### Other information

The Rammulotsi Landfill site project has been delayed due to the environmental assessments study being performed.

Movable register contains assets with a carrying value of R0. These are assets which have been disposed in the 2017/18 and the 2018/19 financial year. They are kept in the register for comparison purposes.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Capital work in progress refers to infrastructure projects and community asset projects which are still in the process of being completed.

### 12. Consumer deposits

Electricity	3,090,666	2,922,110
Water	6,528,449	6,230,329
Sundries	3,893,119	2,728,485
	<b>13,512,234</b>	<b>11,880,924</b>

Consumer deposits are raised when a service account is opened and is refunded to the consumer after the account is closed.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1,049,974	10,620
- in second to fifth year inclusive	1,224,970	-
	2,274,944	10,620
less: future finance charges	12,786	(924)
<b>Present value of minimum lease payments</b>	<b>2,287,730</b>	<b>9,696</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1,058,942	9,696
- in second to fifth year inclusive	1,228,788	-
	2,287,730	9,696
Non-current liabilities	1,228,788	-
Current liabilities	1,058,942	9,696
	2,287,730	9,696

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

Interest rates for leased equipment are fixed at the contract date. Lease payments escalate between 10% - 15% per annum and no arrangements have been entered into for contingent rent.

### 14. Other financial liabilities

#### At amortised cost

Annuity loans - Development Bank of South Africa 24,846,334 22,662,436  
The loan is unsecured and payable quarterly at fixed rate of 9%.  
The redemption date of the loan is 31 July 2027.

#### Non-current liabilities

At amortised cost 23,248,423 21,193,720

#### Current liabilities

At amortised cost 1,597,911 1,468,716



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 15. Payables from exchange transactions

Trade payables	397,710,630	340,524,226
Payments received in advance	12,988,515	9,324,871
Deposits received	15,492	15,492
Retention creditors	959,360	490,473
	<b>411,673,997</b>	<b>350,355,062</b>

#### Trade payables 2019

	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Bulk electricity	41,424,726	11,470,909	41,424,726	173,422,721	267,743,082
Loan repayments	1,719,160	-	-	-	1,719,160
Auditor General	77,567	294,839	34,986	1,646,021	2,053,413
Third parties	5,409,747	-	-	-	5,409,747
Various trade creditors	6,521,053	5,965,200	3,134,795	51,166,813	66,787,861
	<b>55,152,253</b>	<b>17,730,948</b>	<b>44,594,507</b>	<b>226,235,555</b>	<b>343,713,263</b>

#### Trade payables 2018

	0 - 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
Bulk electricity	41,424,726	11,470,909	41,424,726	173,422,721	267,743,082
Loan repayments	1,719,160	-	-	-	1,719,160
Auditor General	77,567	294,839	34,986	1,646,021	2,053,413
Third parties	5,409,747	-	-	-	5,409,747
Various trade creditors	6,521,053	5,965,200	3,134,795	47,977,776	63,598,824
	<b>55,152,253</b>	<b>17,730,948</b>	<b>44,594,507</b>	<b>223,046,518</b>	<b>340,524,226</b>

Suppliers have not been paid within the prescribed 30 day period due to cashflow constraints.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 16. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Long service awards	15,993,003	3,110,000	-	-	19,103,003
Funeral death benefit	92,000	-	(10,000)	-	82,000
Rehabilitation cost of landfill sites	14,048,209	2,465,206	-	533,095	17,046,510
Rehabilitation cost of quarries	4,579,689	435,301	-	161,897	5,176,887
Annual 13th Cheque	5,883,347	718,735	-	-	6,602,082
Leave pay	21,395,200	1,924,710	-	-	23,319,910
	<b>61,991,448</b>	<b>8,653,952</b>	<b>(10,000)</b>	<b>694,992</b>	<b>71,330,392</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Long service awards	14,018,003	1,975,000	-	-	-	15,993,003
Funeral death benefit	97,000	-	-	(5,000)	-	92,000
Rehabilitation cost of landfill sites	12,981,984	659,076	-	-	407,149	14,048,209
Rehabilitation cost of quarries	4,377,464	69,495	-	-	132,730	4,579,689
Annual 13th Cheque	6,478,596	-	-	(595,249)	-	5,883,347
Leave pay	18,490,304	4,463,758	(1,558,862)	-	-	21,395,200
	<b>56,443,351</b>	<b>7,167,329</b>	<b>(1,558,862)</b>	<b>(600,249)</b>	<b>539,879</b>	<b>61,991,448</b>

Non-current liabilities	64,646,310	56,016,101
Current liabilities	6,684,082	5,975,347
	<b>71,330,392</b>	<b>61,991,448</b>

#### Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited.

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation, termination or retirement.

#### 13th Cheque

The 13th Cheque accrues to employees on a monthly basis. The provision is an estimate of the amount due to staff as at the financial year-end.

#### Rehabilitation of landfill sites and quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

#### Funeral Death Benefit

The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to these municipal employees, and payout's are only made to employees who are deceased while in the service of the Municipality. The scheme participants make a monthly contribution of R2.5 and upon death the beneficiary/family receives the R1 000 payout.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 16. Provisions (continued)

#### Long service award (LSA)

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2019.

#### Summary of liability for landfill site costs

Kroonstad Landfill Site	8,258,078	7,557,686
Steynsrus Landfill Site	3,235,708	2,289,270
Viljoenskroon Landfill Site	5,552,725	4,201,254
Kroonstad gravel quarry	3,964,681	3,605,145
Steynsrus gravel quarry	1,212,205	974,543
Interest cost	694,992	539,879
	<b>22,918,389</b>	<b>19,167,777</b>

#### Amounts recognised in the statement of Financial Performance are as follows:

Current service cost	(800,000)	(711,000)
Interest cost	(1,341,000)	(1,157,000)
Actuarial gain / (losses)	(1,628,000)	(720,000)
Benefit payments	659,000	613,000
	<b>(3,110,000)</b>	<b>(1,975,000)</b>

#### Amounts recognised in the statement of Financial Position are as follows:

Defined benefit obligation	(15,993,000)	(14,018,000)
Plan assets	-	-
Movement in provision	(3,110,000)	(1,975,000)
	<b>(19,103,000)</b>	<b>(15,993,000)</b>

#### Key assumptions used:

Assumptions used at the reporting date:

Discount rates used	7.51%	8.75%
Salary inflation	5.04%	6.36%
Net discount rate	2.35%	2.25%

The basis on which the discount rate has been determined is as follow:

The discount rate used in the valuation is our best estimate assumption of a CPI inflation rate, consistent with the gross discount rate, is determined with reference to the difference between the yields on government conventional and index linked bonds as at valuation date, adjusted by a liquidity risk premium of 0.35%. A 2% margin is added to these estimates to arrive at the best estimate assumption for a salary inflation.

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

LGSETA Grant	877,998	479,270
CoGTA Grant	2,112,239	1,112,239
	<b>2,990,237</b>	<b>1,591,509</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Unspent conditional grants and receipts (continued)</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	1,591,509	110,328
Additions during the year	261,574,827	243,327,181
Income recognition during the year	(260,176,099)	(241,846,000)
	<b>2,990,237</b>	<b>1,591,509</b>
Non-current liabilities	-	-
Current liabilities	2,990,237	1,591,509
	<b>2,990,237</b>	<b>1,591,509</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 22 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

### 18. VAT payable

Current liabilities	5,812,884	6,346,598
	<b>5,812,884</b>	<b>6,346,598</b>

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

### 19. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(36,390,000)	(35,037,000)
Current service costs	-	(161,000)
Current interest costs	(3,258,000)	(3,135,000)
Actuarial gains / (loss)	(679,000)	(1,770,000)
Benefit payments	3,823,000	3,713,000
	<b>(36,504,000)</b>	<b>(36,390,000)</b>

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

Continuation members (e.g: Widows, orphans, pensioners)	52	60
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# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	-	(161,000)
Interest cost	(3,258,000)	(3,135,000)
Actuarial (gains) losses	(679,000)	(1,770,000)
Benefit payments	3,823,000	3,713,000
	<b>(114,000)</b>	<b>(1,353,000)</b>

### Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	8.92 %	9.36 %
Discount rates used	6.99 %	7.44 %
Expected rate of return on assets	1.80 %	1.79 %

The basis used to determine the overall expected rate of return on assets is as follow:

In line with GRAP 25 and current market practice, government bond yields are used as the South African corporate bond market is not considered to be sufficiently developed. Furthermore, it is One Pangaea Financial's view that South Africa does not have a deep and liquid market in corporate bonds, and therefore government bonds are used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 9.30 years, the expected duration of the liability based on the current membership data, as at 30 June 2019.

**The expected benefit payments over the next annual reporting period is reflected in the table below.**

Balance at 30 June 2019	(36 504 000)
Projected expenditure excluding actuarial (gains) / losses	0
Current interest cost	(3 116 000)
Expected benefit payments	3 140 000
<b>Expected as at 30 June 2020</b>	<b>(36 480 000)</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 19. Employee benefit obligations (continued)

#### Retirement Benefit Information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

##### Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- Maokeng Provident Fund; and
- SAMWU National Provident Fund.

##### Defined benefit plans

The following are defined benefit plans:

- Government Employees Pension Fund;
- SALA Pension Fund; and
- Free State Municipal Pension Fund.

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in GRAP 25, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).

The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 20. Financial instruments disclosure

The accounting policies for financial instruments have been applied to the line items below:

#### 2019

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	129,346,907	-	129,346,907
Other receivables from non-exchange transactions	-	60,134,135	-	60,134,135
Long term debtors	-	5,174,005	-	5,174,005
Cash and cash equivalents	-	-	8,579,599	8,579,599
Short term deposit	-	-	6,688,057	6,688,057
Investments	218,288	-	-	218,288
	<b>218,288</b>	<b>194,655,047</b>	<b>15,267,656</b>	<b>210,140,991</b>

##### Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	13,512,234	-	13,512,234
Finance lease obligation	2,287,730	-	2,287,730
Provisions	57,940,811	-	57,940,811
Other financial liabilities	-	24,846,334	24,846,334
Trade and other payables from exchange transactions	411,673,996	-	411,673,996
Unspent conditional grants and receipts	-	2,990,237	2,990,237
VAT payable	-	5,812,884	5,812,884
	<b>485,414,771</b>	<b>33,649,455</b>	<b>519,064,226</b>

#### 2018

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	118,798,064	-	118,798,064
Other receivables from non-exchange transactions	-	36,210,842	-	36,210,842
Long term debtors	-	5,031,581	-	5,031,581
Cash and cash equivalents	-	-	6,161,181	6,161,181
Short term deposit	-	-	124,770	124,770
Investments	205,716	-	-	205,716
	<b>205,716</b>	<b>160,040,487</b>	<b>6,285,951</b>	<b>166,532,154</b>

##### Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	11,880,924	-	11,880,924
Finance lease obligation	9,696	-	9,696
Provisions	61,991,448	-	61,991,448
Payables from exchange transactions	350,355,062	-	350,355,062
Unspent conditional grants and receipts	-	1,591,509	1,591,509
Other financial liabilities	-	22,662,436	22,662,436
VAT payable	-	6,346,598	6,346,598
	<b>424,237,130</b>	<b>30,600,543</b>	<b>454,837,673</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>21. Revenue</b>		
Service charges	415,017,563	391,833,339
Rental of facilities and equipment	6,978,972	4,389,931
Fees earned	1,270,859	1,174,867
Discount received	8,999	8,759
Other income	17,612,532	13,118,524
Interest received	26,763,213	23,564,549
Dividends received	13,991	12,312
Property rates	64,054,863	58,953,722
Government grants and subsidies	260,176,099	241,846,000
Fines	3,133,871	4,651,911
	<b>795,030,962</b>	<b>739,553,914</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	415,017,563	391,833,339
Rental of facilities and equipment	6,978,972	4,389,931
Fees earned	1,270,859	1,174,867
Discount received	8,999	8,759
Other income	17,612,532	13,118,524
Interest received	26,763,213	23,564,549
Dividends received	13,991	12,312
	<b>467,666,129</b>	<b>434,102,281</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

**Taxation revenue**

Property rates	64,054,863	58,953,722
Public contributions and donations	7,738,310	19,104,681

**Transfer revenue**

Government grants & subsidies	260,176,099	241,846,000
Fines	3,133,871	4,651,911
	<b>335,103,143</b>	<b>324,556,314</b>



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	185,144,000	164,092,000
LG SETA grant	117,099	-
Financial Management grant (FMG)	2,215,000	2,145,000
Expanded Public Works Program grant (EPWP)	1,000,000	1,000,000
COGTA grant	-	1,000,000
	<b>188,476,099</b>	<b>168,237,000</b>
<b>Capital grants</b>		
Water Services Infrastructure grant (WSIG)	28,290,000	17,769,000
Integrated National Electrification grant (INEP)	-	5,000,000
Municipal Infrastructure grant (MIG)	43,410,000	50,840,000
	<b>71,700,000</b>	<b>73,609,000</b>
	<b>260,176,099</b>	<b>241,846,000</b>
<b>Equitable share</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	185,144,000	164,092,000
Conditions met - transferred to revenue	(185,144,000)	(164,092,000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>
<p>This grant is primarily used to subsidise the provision of basic services to indigent households. All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse, which is funded from the grant. Indigent households also receive 6kl free water and 50kwh free electricity per month.</p>		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	43,410,000	50,840,000
Conditions met - transferred to revenue	(43,410,000)	(50,840,000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>
<p>The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.</p>		
<b>LG SETA grant</b>		
Balance unspent at beginning of year	479,270	110,328
Current-year receipts	515,826	368,942
Conditions met - transferred to revenue	(117,098)	-
<b>Unspent grant</b>	<b>877,998</b>	<b>479,270</b>

Conditions still to be met - remain liabilities (see note 17).

The grant is used for training municipality staff to enhance their skills in their respective positions.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 22. Government grants and subsidies (continued)

#### Extended Public Works Program Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

This grant is used in respect of job creation projects and programmes.

#### Finance Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	2,145,000	2,145,000
Conditions met - transferred to revenue	(2,145,000)	(2,145,000)
<b>Unspent grant</b>	<b>-</b>	<b>-</b>

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

#### Integrated national Electrification Program

Balance unspent at beginning of year	-	-
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(5,000,000)
	-	-

#### Water Services Infrastructure Grant

Current-year receipts	28,290,000	17,769,000
Conditions met - transferred to revenue	(28,290,000)	(17,769,000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

#### CoGTA Grant

Balance unspent at beginning of year	1,112,239	-
Current-year receipts	1,000,000	2,112,239
Conditions met - transferred to revenue	-	(1,000,000)
	<b>2,112,239</b>	<b>1,112,239</b>

Conditions still to be met - remain liabilities (see note 17).

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 23. Property rates

#### Rates received

Residential	24,677,822	22,555,507
Commercial	22,029,024	20,519,381
State	17,348,017	15,878,834
	<b>64,054,863</b>	<b>58,953,722</b>

#### Valuations

Commercial	6,173,402,404	6,209,237,405
Multi-purpose	161,719,000	144,869,001
Municipal	470,318,700	474,455,700
Non-ratable	237,158,805	237,686,805
Residential	4,656,238,566	4,625,311,565
State	1,170,332,008	1,169,347,008
	<b>12,869,169,483</b>	<b>12,860,907,484</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.007 (2017:R0.007) is applied to property valuations to determine assessment rates.

Rates are levied on an monthly basis. Interest at prime plus 1% per annum (2018: prime + -%) is levied on rates outstanding two months after due date. (Excluding national government property rates which is levied on an annual basis).

#### Income foregone

The Income foregone included in the difference property rates relates to the first R 50 000.00 of all residential properties that are exempted from paying property rates including, discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

### 24. Service charges

Sale of electricity	256,295,220	242,351,119
Sale of water	89,767,539	85,469,111
Solid waste	28,624,232	27,184,404
Sewerage and sanitation charges	40,330,572	36,828,705
	<b>415,017,563</b>	<b>391,833,339</b>

#### Income foregone

The Income foregone included in the difference service charges relates to discounts given to farmers, discounts given to pensioners and also incentives given to debtors settling their accounts in terms of the debt collection and credit control policy.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>25. Public contributions and donations</b>		
Department of Sports	-	252,202
Free State Provincial Treasury	-	500,000
Department of Roads and Transport	-	18,352,479
Department of Public Works	6,233,999	-
Gerox	98,500	-
Electricity Project	14,197	-
Government Garage	1,391,614	-
	<b>7,738,310</b>	<b>19,104,681</b>

### **2018-2019**

The Department of Public Works donated the ZR Mahabane House to the municipality, the value of the house is R6,233, 999.  
Gerox donated five Xerox copiers to the value of R98,500.  
A donation fibreglass extended ladders R14,197.

### **2017-2018**

Gym equipment to the value of R252,202 was donated by the Department of Sports.  
The Free State Provincial Treasury paid R500,000 on behalf of the municipality's audit fees to the Auditor General (SA).  
The Department of Roads and Transport transferred the completed Reitz and Cross streets road rehabilitation project valued at R18,352,479 to the municipality.

### **26. Rental income**

#### **Facilities and equipment**

Rental of facilities	6,978,972	4,389,931
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### **27. Fees earned**

Administrative and management fees	1,270,859	1,174,867
Discount received	8,999	8,759

### **28. Interest and dividends received**

#### **Dividend revenue**

Unlisted shares	13,991	12,312
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#### **Interest revenue**

Bank	1,664,814	1,583,081
Receivables from exchange transactions	25,098,399	21,981,468
	<b>26,763,213</b>	<b>23,564,549</b>
	<b>26,777,204</b>	<b>23,576,861</b>

All amounts above included in Investment revenue arises from exchange transactions.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>29. Other income</b>		
Building plans and inspection fees	87,813	20,443
Burial income	1,331,965	1,101,994
Clearance certificates	214,943	167,432
Commission premiums	-	34,861
Connection fees	3,907,153	2,976,251
Erven sales	5,904,224	2,937,871
Escort fees	6,165	8,289
Fire brigade and rescue services	567,135	541,961
Hostel fees	41,255	41,255
Insurance claims	2,995,397	430,968
Administration income	551,992	565,857
Special services	1,434	2,312
Sundry income	1,150,732	1,088,707
Unclaimed deposits	852,324	920,116
Proceeds from auction	-	2,273,240
Water valuation adjustments	-	6,967
	<b>17,612,532</b>	<b>13,118,524</b>
<b>30. Fines</b>		
<b>Fines consists of:</b>		
Fines: Traffic	2,351,830	3,329,625
Fines: Law Enforcement	436,410	454,319
Tampered meters	345,631	867,967
	<b>3,133,871</b>	<b>4,651,911</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs</b>		
Basic	158,924,848	146,710,619
13th Cheques	12,816,771	10,567,995
Medical aid - company contributions	15,995,396	14,732,771
UIF	1,497,125	1,446,739
Industrial council levy	91,078	85,384
Leave pay provision charge	3,281,480	4,463,758
Group Life Insurance General	1,421,022	1,547,509
Defined contribution plans	27,724,903	25,352,064
Overtime payments	12,313,277	19,098,283
Long-service awards	345,986	-
Car allowance	14,466,335	12,994,654
Housing benefits and allowances	1,303,333	1,185,153
Other allowances	1,512,786	4,283,171
Telephone allowance	11,160,577	453,046
Standby allowance	2,310,243	1,874,714
	<b>265,165,160</b>	<b>244,795,860</b>

The salaries, allowances and benefits of staff disclosed are within the upper limits of the SALGA bargaining council determinations.

### Remuneration of Municipal Manager

Basic Salary	910,914	836,293
Car Allowance	467,586	519,194
Social Contributions	119,488	64,709
Cellphone Allowance	36,000	36,000
	<b>1,533,988</b>	<b>1,456,196</b>

### Remuneration of Chief Financial Officer

Basic Salary	744,733	683,629
Car Allowance	327,331	315,141
Social Contributions	153,532	161,059
Cellphone Allowance	20,400	20,400
	<b>1,245,996</b>	<b>1,180,229</b>

### Executive Director: Technical Services

Basic Salary	744,733	683,629
Car Allowance	215,223	207,773
Housing Allowance	120,512	116,642
Social Contributions	144,694	152,530
Cellphone Allowance	12,000	12,000
	<b>1,237,162</b>	<b>1,172,574</b>

### 2019

Mr. M Mthwalo received acting allowance as the Municipal Manager for the month of June 2019 to the amount of R18, 479.

Mr. T Leie received acting allowance as the Acting LED Director for the period January 2019 - March 2019 and for the month of June 2019 to the amount of R52,454.

### Executive Director: Corporate Services

Basic Salary	744,733	683,629
Car Allowance	324,654	309,573

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs (continued)</b>		
Social Contributions	159,919	166,136
Acting Allowance	18,479	-
Cellphone Allowance	14,000	12,000
	<b>1,261,785</b>	<b>1,171,338</b>
<b>Executive Director: Community Services</b>		
Basic Salary	744,733	683,629
Car Allowance	271,775	265,206
Social Contributions	45,748	54,421
Housing Allowance	165,327	159,557
Cellphone Allowance	12,000	12,000
	<b>1,239,583</b>	<b>1,174,813</b>

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# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>32. Remuneration of councillors</b>		
Executive Mayor	813,169	845,601
Speaker	752,800	694,861
Council Whip	2,010,952	675,349
Councillors	16,095,869	17,041,884
	<b>19,672,790</b>	<b>19,257,695</b>

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties.  
The Executive Mayor has one full-time bodyguard and a driver.

The Speaker has one full-time driver.  
The Speaker has the use of a Council owned vehicle for official duties.

### Executive Mayor - Cllr M Koloi (Terminated 24 May 2019)

Basic Salary	485,549	530,889
Car Allowance	198,992	201,684
Social Contributions	91,228	78,228
Cellphone Allowance	37,400	34,800
	<b>813,169</b>	<b>845,601</b>

### Speaker - Cllr MS Chakane (Appointed 16 August 2016)

Basic Salary	428,141	422,938
Car Allowance	174,533	161,347
Social Contributions	81,501	75,776
Cellphone Allowance	40,800	34,800
	<b>724,975</b>	<b>694,861</b>

### Members of Mayoral Committee (MMC)

#### MMC - PUBLIC SAFETY: Cllr VL Mpondo

Basic Salary	406,495	397,153
Car Allowance	163,634	151,263
Social Contributions	78,254	72,229
Cellphone Allowance	44,400	35,400
	<b>692,783</b>	<b>656,045</b>

#### MMC - CORPORATE SERVICES: Cllr SB Tladi

Basic Salary	406,495	397,153
Car Allowance	163,634	151,263
Social Contributions	78,254	72,229
Cellphone Allowance	44,400	35,400
	<b>692,783</b>	<b>656,045</b>

#### MMC - IDP AND PLANNING: Cllr ZS Magadlela

Basic Salary	406,495	397,153
Car Allowance	163,634	151,263
Social Contributions	78,254	72,229
Cellphone Allowance	44,400	35,400
	<b>692,783</b>	<b>656,045</b>



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>32. Remuneration of councillors (continued)</b>		
<b>MMC - COMMUNITY SERVICES: Cllr MM Green</b>		
Basic Salary	406,495	397,153
Car Allowance	163,634	151,263
Social Contributions	78,254	72,229
Cellphone Allowance	44,400	35,400
	<b>692,783</b>	<b>656,045</b>
<b>MMC - HUMAN SETTLEMENT: Cllr S Mokoena</b>		
Basic Salary	406,495	397,153
Car Allowance	163,634	151,263
Social Contributions	78,254	72,229
Cellphone Allowance	44,400	35,400
	<b>692,783</b>	<b>656,045</b>
<b>MMC - POLICY DEVELOPMENT: Cllr R Manefelt</b>		
Basic Salary	402,246	397,153
Car Allowance	163,634	151,263
Social Contributions	80,523	78,595
Cellphone Allowance	44,400	35,400
	<b>690,803</b>	<b>662,411</b>
<b>MMC - TECHNICAL SERVICES: Cllr KL Kokami</b>		
Basic Salary	402,246	397,153
Car Allowance	163,634	151,263
Social Contributions	80,523	78,595
Cellphone Allowance	44,400	35,400
	<b>690,803</b>	<b>662,411</b>
<b>MMC - COUNCIL WHIP: Cllr PJ Phooko (Terminated 24 May 2019)</b>		
Basic Salary	400,446	398,902
Car Allowance	163,634	151,263
Social Contributions	77,347	89,784
Cellphone Allowance	44,400	35,400
	<b>685,827</b>	<b>675,349</b>
<b>Executive Mayor: Cllr PJ Phooko (Appointed 24 May 2019)</b>		
The Executive Mayor received salary as Mayor from 01 July 2019.	-	-
<b>MMC - FINANCE, AUDIT AND RISK MANAGEMENT: Cllr ER Moletsane</b>		
Basic Salary	399,140	404,508
Car Allowance	163,634	151,263
Social Contributions	77,151	73,332
Cellphone Allowance	44,400	35,400
	<b>684,325</b>	<b>664,503</b>
<b>MMC - LOCAL ECONOMIC DEVELOPMENT &amp; INVESTMENT: Cllr B Rooskrans</b>		
Basic Salary	406,495	397,153
Car Allowance	163,634	151,263
Social Contributions	78,254	72,229

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>32. Remuneration of councillors (continued)</b>		
Cellphone Allowance	44,400	35,400
	<b>692,783</b>	<b>656,045</b>
<b>PART TIME COUNCILLORS</b>		
Cllrs' AH Viljoen, JM		
Hattingh, TA Mofokeng, MI Thajane, CM Dalton, MJ Lithupa, DN Nzunga, J		
Geldenhuis, Mokodutlo NP, Van Schalkwyk L, Baba JM, Boeije HME, Bolofo LD,		
Khasudi D, Khunyeli JM, Leboko OA, Makae HG, Mahlatsi MS, Mahlatsi JR,		
Malejoane AM, Marako TJ, Mareka J, Mntuze ME, Ramathibe ME, Makhanda ML,		
Mokotedi MV,		
Morabe TD, Nhlapo M, Pietersen ML, Pittaway SH, Ramathibe BS, Serapela DJ,		
Yho-Yho M.		
Basic Salary	5,056,108	5,293,603
Car Allowance	2,191,661	2,027,873
Social Contributions	1,359,967	1,346,472
Cellphone Allowance	1,408,309	1,130,600
	<b>10,016,045</b>	<b>9,798,548</b>
<b>MPAC CHAIRPERSON: Cllr ML Pietersen (Appointed from 1 March 2017)</b>		
Basic Salary	390,991	397,153
Car Allowance	162,334	151,263
Social Contributions	79,459	78,595
Cellphone Allowance	44,400	35,400
	<b>677,184</b>	<b>662,411</b>
<b>33. Debt impairment</b>		
Debt impairment	83,748,742	86,728,950
Fines - impairment	2,049,894	3,591,643
	<b>85,798,636</b>	<b>90,320,593</b>
<b>34. Depreciation and amortisation</b>		
Property, plant and equipment	114,275,901	111,469,394
Intangible assets	343,361	317,806
	<b>114,619,262</b>	<b>111,787,200</b>
<b>35. Impairment loss on assets</b>		
<b>Impairments</b>		
Property, plant and equipment	687,410	1,358,481
<b>2017/2018</b>		
During the year, two municipal buildings, Matlwangtlwang community hall and Matlwangtlwang admin office were burned during a service delivery protest and had to be impaired due to conditional damage.		
<b>36. Finance costs</b>		
Landfill sites and quarries	694,992	539,879
Late payment of creditors	7,471,528	17,617,167
Annuity loans and finance leases	2,183,897	2,012,949
Employee benefits	4,599,000	5,322,497
	<b>14,949,417</b>	<b>25,492,492</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>37. Contracted services</b>		
Specialist Services	30,035,178	25,630,459
Other Contractors	13,221,709	15,972,557
<b>38. Repairs and maintenance</b>		
<b>Repairs and maintenance consists of:</b>		
Buildings	2,615,588	2,767,616
Electrical Network	9,357,525	10,767,184
Water and Sewer Network	11,062,920	14,635,745
Fleet	11,444,192	8,934,393
Roads	2,756,874	4,999,030
Other repairs and maintenance	1,169,976	1,381,038
	<b>38,407,075</b>	<b>43,485,006</b>
<b>39. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
FMG Grant Expenditure	(1,714,118)	2,423,388
EPWP Grant	-	1,000,000
	<b>(1,714,118)</b>	<b>3,423,388</b>
<b>40. Bulk purchases</b>		
Electricity - Eskom	235,816,326	221,903,689
Water	783,825	714
	<b>236,600,151</b>	<b>221,904,403</b>
<b>41. Loss on disposal of assets</b>		
Property, plant and equipment	5,746,690	6,957,689
Investment property	2,111,000	1,443,400
	<b>7,857,690</b>	<b>8,401,089</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>42. General expenses</b>		
Advertising	431,091	1,364,330
Auditors remuneration	6,124,048	6,097,502
Bank charges	2,521,672	2,196,979
Cleaning	159,884	148,861
Consumables stores	8,231,099	6,073,673
Entertainment	103,710	217,069
Lease rentals on operating lease	3,242,442	5,398,249
Insurance	1,960,605	2,582,932
Committee expenses	173,717	123,697
Travel and subsistence	2,453,029	2,381,393
Funeral expenses	13,651	2,446
Medical expenses	256,490	549,889
Fuel and oil	6,462,348	12,713,469
Placement fees	-	117,130
Postage and courier	1,794,758	1,676,911
Printing and stationery	12,248	18,025
Protective clothing	1,694,866	1,297,522
Provision for rehabilitation adjustment	2,900,507	728,571
Subscriptions and membership fees	143,284	4,903,271
Telephone and fax	1,364,667	1,594,530
Commission paid	6,030,710	5,317,733
Workmen's compensation	1,035,932	1,133,465
Licences - other	3,643,096	2,746,802
Licences - vehicles	547,917	435,081
Skills development levy	2,304,173	2,077,965
Other expenses	1,308,712	1,879,335
	<b>54,914,656</b>	<b>63,776,830</b>
<b>43. Fair value adjustments</b>		
Investment property (Fair value model)	120,180	15,947,209
Investment in shares	12,572	(61,387)
	<b>132,752</b>	<b>15,885,822</b>
<b>44. Actuarial Gains/(Losses) on Employees benefits</b>		
Actuarial Gains	1,375,000	964,000
<b>The above balance is made up as follows:</b>		
Long Service Awards - Actuarial gains/(losses)	(1,769,000)	(818,000)
Post retirement medical benefit - Actuarial gains/(losses)	3,144,000	1,782,000
	<b>1,375,000</b>	<b>964,000</b>
<b>45. Auditors' remuneration</b>		
Fees	6,124,048	6,097,502

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>46. Cash generated from operations</b>		
Surplus / (deficit)	(75,937,992)	(100,097,636)
<b>Adjustments for:</b>		
Depreciation and amortisation	114,619,262	111,787,200
Loss on disposal of property, plant and equipment	7,857,690	8,401,089
Fair value adjustments	(132,752)	(15,846,822)
Discounts received	(8,999)	(8,759)
Impairment loss	687,410	1,358,481
Debt impairment	85,798,636	90,320,593
Actuarial loss	(1,375,000)	(964,000)
Provision raised / increased	6,228,944	4,101,462
Provision utilised	1,341,000	(1,558,862)
Provisions (Interest costs)	-	2,187,497
Employee benefit obligations (Interest costs)	3,258,000	3,135,000
<b>Changes in working capital:</b>		
Inventories	1,068,737	446,766
Receivables from exchange transactions	(94,297,585)	(82,842,229)
Long term debtors	(142,423)	1,902,115
Other receivables from non-exchange transactions	(25,973,187)	(10,096,523)
Payables from exchange transactions	61,327,959	84,000,666
Unspent conditional grants and receipts	1,398,728	1,481,181
Consumer debtors	1,631,310	(903,009)
VAT	(533,713)	(9,955,389)
	<b>86,816,025</b>	<b>86,848,821</b>

## 47. Contingencies

### Contingent liabilities - pending claims

The municipality is being sued for some of the following pending claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

### Contingent liabilities

Claims by individuals due to damage of property in various incidents	8,354,661	10,861,568
Claims from suppliers - contractual disputes	4,396,011	12,640,437
	<b>12,750,672</b>	<b>23,502,005</b>

## 48. Related parties

The municipality did not enter into any related party transactions during the year under review, which were not at arm's length.

### Key management information

Class	Number
Executive Mayor	1
Councillors	44
Municipal Manager	1
Section 57 managers	4

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 49. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2018

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment	11	2,148,941,073	127,320	2,149,068,393
Payables from exchange transactions	15	(354,604,471)	4,249,409	(350,355,062)
VAT payable	18	(6,025,462)	(321,136)	(6,346,598)
Receivables from non-exchange transactions	7	35,512,480	698,362	36,210,842
		<b>1,823,823,620</b>	<b>4,753,955</b>	<b>1,828,577,575</b>

#### Statement of financial performance

##### 2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment	26	(3,898,804)	-	(491,127)	(4,389,931)
Other income	29	(13,609,651)	-	491,127	(13,118,524)
Depreciation and amortisation	34	111,726,135	61,065	-	111,787,200
General expenditure	42	64,475,192	(698,362)	-	63,776,830
Finance cost	36	25,171,355	321,136	-	25,492,492
Repairs and maintenance	38	44,393,441	(908,435)	-	43,485,006
		<b>228,257,668</b>	<b>(1,224,596)</b>	<b>-</b>	<b>227,033,073</b>

#### Errors

A number of prior period errors were corrected during the year ending 30 June 2019. The details of the retrospective prior errors adjusted are reflected below.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 49. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

**Accumulated surplus and Property, plant and equipment** - Entrance Facilities were not previously capitalised. A correction was done accordingly resulting in the increase in Property, plant and equipment to the amount of R305,334 and the decrease of accumulated surplus to the amount of (R305,334).

**Accumulated surplus, Property, plant and equipment, Depreciation and amortisation** - Entrance Facilities were not previously capitalised. A correction was done accordingly resulting in the decrease in Property, plant and equipment to the amount of (R178,014), the increase of depreciation and amortisation to the amount of R61,605 and the increase of accumulated surplus to the amount of R116,949.

**Accumulated surplus, Payables from exchange transactions** - Retentions from previous years not claimed. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 394,060 and the increase of accumulated surplus to the amount of (R 394,060).

**Accumulated surplus, Payables from exchange transactions** - Retentions from previous years not claimed. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 666,312 and the increase of accumulated surplus to the amount of (R 666,312).

**Accumulated surplus, Payables from exchange transactions** - Cheques for the old year was cancelled. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 1,554,519 and the increase of accumulated surplus to the amount of (R 1,554,519).

**Accumulated surplus, Payables from exchange transactions** - Cheques for the old year was cancelled. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 1,738,972 and the increase of accumulated surplus to the amount of (R 1,738,972).

**Repairs and maintenance, Payables from exchange transactions** - A creditor was overstated in the prior year. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 908,435 and the decrease of Repairs and maintenance to the amount of (R 908,435).

**Accumulated surplus, Payables from exchange transactions** - A Creditor was overstated in the prior year. A correction was done accordingly resulting in the decrease of Payables from exchange transactions to the amount of R 886,363 and the decrease of Accumulated surplus to the amount of (R 886,363).

**Finance cost, VAT payable** - After the SARS audit was concluded additional penalties were added. A correction was done accordingly resulting in the increase of VAT payable to the amount of (R 321,136) and the increase of Finance cost to the amount of R 321,136.

**Accumulated surplus, Payables from exchange transactions** - Creditors in the old year was understated. A correction was done accordingly resulting in the increase of Payables from exchange transactions to the amount of (R 1,899,251) and the increase of accumulated surplus to the amount of R 1,899,251.

### Reclassifications

The following reclassifications adjustment occurred:

**Rental of facilities and equipment, Other income** - Rental income was incorrectly mapped against Other income. A correction was made that resulted in the decrease of Other income to the amount of R 491,127 and the increase in Rental of facilities and equipment Investments to the amount of (R 491,127).

**Receivables from non-exchange transactions, General expenditure** - Insurance paid in advance was incorrectly expensed. A correction was made that resulted in the increase of Receivables from non-exchange transactions to the amount of R 698,362 and the decrease General expenditure to the amount of (R 698,362).

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 50. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 16,17, 18, 19, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
ABSA Bank	8,579,599	6,161,181
ABSA BANK Short-term deposit	6,688,057	124,770
Receivables from exchange transactions	129,346,907	118,798,064
Other receivables from non-exchange transactions	60,134,135	36,210,842
Long term debtors	5,174,005	5,031,582

#### Market risk

##### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position as financial assets at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

### 51. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 1,940,955,153 and that the municipality's total assets exceed its liabilities by R 1,940,955,153.



# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 51. Going concern (continued)

The current liabilities amounting to R 382m exceeds current assets of R 174m by R 208m.

The receivables from exchange transactions increased from R 457m to R 537m, which resulted in a 18% increase as at 30 June 2019. The impairment provision also increased from R 334m to R 418m (25%) as at 30 June 2019.

The payables from exchange transactions increased from R 269m (Which also includes Eskom account of R 211m), to R 355m (Which also includes Eskom account of R 268m) which results in a 32% increase. The creditors payment period also increased from 246 days to 348 days as at 30 June 2019. The payables from exchange transactions outstanding for a period longer than 30 days amounted to R 289m (84%).

Operational commitments amounted to R 6m as at 30 June 2019 (2018: R 6m).

The cash equivalents amounted to R 9m as 30 June 2019 (2018: R 6m).

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Despite the uncertainties which cast doubt on the municipality's ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2018, as there are no current indications that government funding will be withheld from the municipality for any reason.

### 52. Events after the reporting date

On September 21, 2018, a municipal property next to Kroonpark Holiday Resort was destroyed by fire. As at 30 June 2018, the carrying value of the property amounted to R 185,246.73.

This property was not used in the provision of services by the municipality, at the time of the incident the property was leased to one of the previous municipal officials. Thus, it being non-operational does not affect the day-to-day operations of Kroonpark Resort.

The property is insured to the value of R 1,500,000 with the municipality's short insurance. The insurance assessor visited the site on 29 September 2018 and the municipality still awaits the outcome of the claim process. This property has no impact on the day-to-day operations of the Kroonpark Holiday Resort.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government - SALGA</b>		
Opening balance	1,338,223	134,560
Current year subscription / fee	2,460,270	2,428,969
Amount received / (paid) - current year	(3,798,493)	(1,225,306)
	<b>-</b>	<b>1,338,223</b>
<b>Material losses through criminal conduct</b>		
There were no material losses incurred due to criminal conduct identified during the year by the municipality.		
<b>Audit fees</b>		
Opening balance	2,370,969	2,039,523
Current year fee	5,770,318	6,097,502
Interest charged	409,083	248,249
Amount paid - current year	(824,616)	(3,974,782)
Amount paid - previous years	(2,370,969)	(2,039,523)
	<b>5,354,785</b>	<b>2,370,969</b>
<b>PAYE and UIF</b>		
Opening balance	2,573,279	2,259,933
Current payroll deductions	37,207,490	30,740,515
Amount paid - current year	(36,509,507)	(30,427,169)
	<b>3,271,262</b>	<b>2,573,279</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	5,484,705	4,980,864
Current payroll deductions and council contribution	70,087,789	62,452,536
Amount paid - current year	(69,719,479)	(61,948,695)
	<b>5,853,015</b>	<b>5,484,705</b>
<b>Skills Development Levy</b>		
Opening balance	169,277	156,437
Current payroll deductions and council contribution	2,304,076	2,018,979
Amount paid - current year	(2,278,789)	(2,006,139)
	<b>194,564</b>	<b>169,277</b>
<b>Reticulation losses</b>		
Estimated electricity losses suffered by the municipality for the year under review are as follows:		
Technical losses 4% (4% : 2018).		
Non-Technical losses 14,56% (14,56% : 2018).		
Estimated line losses	13,407,496	12,977,225
Losses due to tampering or theft	43,563,619	47,222,782
	<b>56,971,115</b>	<b>60,200,007</b>
Estimated water losses suffered by the municipality for the year under review is are follows:		
Water losses 32% (30% : 2018).		
Estimated water losses	14,641,528	19,717,718

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at:

Viljoen AH	-	108
Pietersen ML	-	1,649
Geldenhuis J	-	809
Mareka J	17,079	10,096
Khunyeli JM	8,888	11,849
Khasoli MM	4,044	4,228
Morabe TD	-	36,366
Leboko AO	-	22,195
Phooko PJ	103,339	97,537
Ramathibe MS	-	3,830
Mahlatsi SS	787	1,458
Rooskraans B	14,011	-
Magadela ZS	1,140	-
Makae HG	1,016	4,394
Mpondo VL	8,473	5,942
Mofokeng TA	22,681	16,501
Mokoena S	8,320	4,708
Mntuze ME	20,490	26,942
Marako TJ	-	1,719
Baba JM	-	996
Nzunga ND	25,587	-
	<b>235,855</b>	<b>251,327</b>

### 54. Irregular expenditure

Opening balance as restated	-	-
Opening balance	478,020,095	431,407,584
Irregular Expenditure - current year	-	21,083,990
Audit Adjustments	-	25,528,521
Closing balance	<b>478,020,095</b>	<b>478,020,095</b>

### 55. Fruitless and wasteful expenditure

Opening balance as restated	-	-
Opening balance	42,887,639	25,518,475
Fruitless and wasteful expenditure - current year	7,481,745	17,369,164
Closing balance	<b>50,369,384</b>	<b>42,887,639</b>

### 56. Unauthorised expenditure

Opening balance	530,664,380	384,244,500
Unauthorised expenditure - current year	-	146,419,880
Closing balance	<b>530,664,380</b>	<b>530,664,380</b>

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 57. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

During the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

#### Description

Emergency  
Sole Supplier  
Urgent

Number of Deviations	Deviations 2019
26	1,915,190
88	4,673,782
44	1,431,223
<b>158</b>	<b>8,020,195</b>

#### Description

Emergency  
Sole Supplier  
Urgent

Number of Deviations	Deviations 2018
17	1,457,912
83	1,145,529
153	14,993,129
<b>253</b>	<b>17,596,570</b>

Draft

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>58. Commitments</b>		
<b>Capital commitments</b>		
<b>Approved and contracted for:</b>		
• Infrastructure	12,630,472	18,033,673
<b>Approved and not contracted for:</b>		
• Infrastructure	30,849,572	35,162,435
<b>Total capital commitments</b>		
Approved and contracted for	12,630,472	18,033,673
Approved and not contracted for	30,849,572	35,162,435
	<b>43,480,044</b>	<b>53,196,108</b>
<b>Other commitments</b>		
<b>Already contracted for but not provided for</b>		
• General expenditure	5,538,698	5,779,835
<b>Total operational commitments</b>		
Approved and contracted for	5,538,698	5,779,835
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	43,480,044	53,196,108
Authorised operational expenditure	5,538,698	5,779,835
	<b>49,018,742</b>	<b>58,975,943</b>
Infrastructure commitments approved and contracted for will be funded by grants from government. Other operational commitments approved and contracted for will be financed from the municipality's own funding.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1,049,974	10,620
- in second to fifth year inclusive	1,224,970	-
	<b>2,274,944</b>	<b>10,620</b>

### Operating lease - Government Garage

Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicles are negotiated for an average of three years and rentals are fixed for the full term of the leases.

# Moqhaka Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 59. Non-Compliance with the MFMA

During the current financial year the following non-compliance issues were identified

#### **Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c)**

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency.

#### **Municipal Finance Management Act section 116(2)(b), (c)**

The performance of all contractors were not monitored on a monthly basis.

#### **Municipal Finance Management Act section 65 (e)**

Creditors were not paid in 30 days as required by the Act

#### **Municipal Finance Management Act section 52(d),**

The budget implementation and state of financial affairs submission was not in accordance with the prescribed timeframe.

### 60. Budget differences

#### **Material differences between budget and actual amounts**

Refer to page 11 in the annual financial statements for an analysis of budget versus the actual amounts.

#### **Changes from the approved budget to the final budget**

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to Appendix E1 to the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to Appendix E1 to the annual financial statements.

**Moqhaka Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2010**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2018</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2019</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		
<b>Loan Stock</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Structured loans</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Funding facility</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Development Bank of South Africa</b>		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

**Moqhaka Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2010**

Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Bonds</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Lease liability</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Annuity loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-



## Moqhaka Local Municipality Appendix A

### Schedule of external loans as at 30 June 2010

[illegible]

**Moqhaka Local Municipality**  
**Moqhaka Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

[illegible]

**Moqhaka Local Municipality**  
**Moqhaka Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

[illegible]

**Moqhaka Local Municipality**  
**Moqhaka Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

[illegible]

**Moqhaka Local Municipality**  
**Moqhaka Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

[illegible]

**Moqhaka Local Municipality**  
**Moqhaka Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

[illegible]

**Moqhaka Local Municipality**  
**Moqhaka Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

[illegible]

## Moqhaka Local Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]



## Moqhaka Local Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]

## Moqhaka Local Municipality Appendix D

Segmental Statement of Financial Performance for the year ended	
Prior Year	Current Year

[illegible]

**Moqhaka Local Municipality**  
**Appendix D**

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	<b>Total</b>	-	-	-

**Moghaka Local Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	Current year 2018 Act. Bal. Rand	Current year 2018 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	15,842	(15,842)	(100.0)	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	415,017,563	500,195,042	(85,177,479)	(17.0)	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	6,978,971	8,988,514	(2,009,543)	(22.4)	
Interest received (trading)	-	-	-	-	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	-	-	-	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	1,270,858	1,567,232	(296,374)	(18.9)	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	8,999	52,600	(43,601)	(82.9)	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	17,612,531	12,112,469	5,500,062	45.4	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	26,763,214	23,097,040	3,666,174	15.9	
Interest received - other	-	-	-	-	
Dividends received	13,991	-	13,991	-	
	467,666,127	546,028,739	(78,362,612)	(14.4)	

**Moqhaka Local Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	<b>Current year 2018 Act. Bal.</b>	<b>Current year 2018 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
<b>Expenses</b>				
Personnel	(265,165,153)	(258,557,302)	(6,607,851)	2.6
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(19,672,790)	(18,378,165)	(1,294,625)	7.0
Administration	(38,407,075)	(72,952,973)	34,545,898	(47.4)
Transfer payments	-	-	-	-
Depreciation	(114,275,902)	(32,907,836)	(81,368,066)	247.3
Impairment	-	-	-	-
Amortisation	(343,361)	-	(343,361)	-
Impairments	(687,410)	(7)	(687,403)	042.9
Reversal of impairments	-	-	-	-
Finance costs	(14,949,418)	(3,140,266)	(11,809,152)	376.1
Debt Impairment	(85,798,636)	(7,682,804)	(78,115,832)	016.8
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	(236,600,151)	(249,375,270)	12,775,119	(5.1)
Contracted Services	(43,256,886)	(67,331,750)	24,074,864	(35.8)
Transfers and Subsidies	1,714,118	(3,215,000)	4,929,118	(153.3)
Cost of housing sold	-	-	-	-
General Expenses	(54,914,653)	(67,924,843)	13,010,190	(19.2)
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(872,357,317)	(781,466,216)	(90,891,101)	11.6
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	(7,857,690)	-	(7,857,690)	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	132,752	-	132,752	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	1,375,000	-	1,375,000	-

**Moghaka Local Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	<b>Current year 2018 Act. Bal.</b>	<b>Current year 2018 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	(6,349,938)	-	(6,349,938)	-
Net surplus/ (deficit) for the year	(411,041,128)	(235,437,477)	(175,603,651)	74.6

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**Moqhaka Local Municipality**  
**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by functional classification)**  
**for the year ended 30 June 2019**

	2019/2018								2018/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Functional</b>															
<b>Municipal governance and administration</b>	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Finance and administration	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Internal audit	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Community and public safety</b>	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Economic and environmental services</b>	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Planning and development	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Trading services</b>	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Energy sources	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Other</b>	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Total Revenue - Functional</b>	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-



# Moqhaka Local Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2019

2019/2018									2018/2017					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Functional</b>														
<b>Governance and administration</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Executive and council	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Finance and administration	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Community and public safety</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Economic and environmental services</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Trading services</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure - Functional</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-